

**Tennessee Board of Regents  
Roane State Community College**

**For the Years Ended  
June 30, 1999, and June 30, 1998**

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STATE OF TENNESSEE  
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**John G. Morgan**  
Comptroller

March 27, 2000

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Sidney McPhee, Interim Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217  
and  
Mr. William Fuqua, Acting President  
Roane State Community College  
276 Patton Lane  
Harriman, Tennessee 37748

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Roane State Community College, for the years ended June 30, 1999, and June 30, 1998. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed one deficiency, which is detailed in the Results of the Audit section of this report. The college's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/sdr  
00/030

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Roane State Community College**  
For the Years Ended June 30, 1999, and June 30, 1998

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## COMPLIANCE FINDING

### **Refunds Are Not Calculated for Students Who Unofficially Withdraw**

The college does not perform refund calculations for students who unofficially withdraw from school because the Student Financial Aid Office does not provide a list of students who stopped attending classes to the Business Office so they can be evaluated. The failure to perform calculations for students who unofficially withdraw could result in an overaward to some recipients (page 6).

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report  
Tennessee Board of Regents  
Roane State Community College  
For the Years Ended June 30, 1999, and June 30, 1998**

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**Tennessee Board of Regents  
Roane State Community College  
For the Years Ended June 30, 1999, and June 30, 1998**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Roane State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

The idea for Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. Roane State Community College was established as a two-year college by the 1969 General Assembly. The first student was admitted in the fall of 1971. The General Assembly vested the governance of Roane State Community College in the Tennessee Board of Regents on July 1, 1972.

**ORGANIZATION**

The governance of Roane State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

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## AUDIT SCOPE

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The audit was limited to the period July 1, 1997, through June 30, 1999, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1999, and June 30, 1998. Roane State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
  2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
  3. to determine the fairness of the presentation of the financial statements; and
  4. to recommend appropriate actions to correct any deficiencies.
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## PRIOR AUDIT FINDINGS

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on October 1, 1998. A follow-up of the prior audit finding was conducted as part of the current audit.

## RESOLVED AUDIT FINDING

The current audit disclosed that the college has corrected the previous audit finding concerning the recalculation of Federal Pell Grant awards when students did not begin attendance in some classes.

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## OBSERVATIONS AND COMMENTS

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### TITLE IX OF THE EDUCATION AMENDMENTS OF 1972

*Tennessee Code Annotated*, Section 4-4-123, requires each state governmental entity subject to the requirements of Title IX of the Education Amendments of 1972 to submit an annual Title IX compliance report and implementation plan to the Department of Audit by June 30, 1999, and each June 30 thereafter. The college did not file its compliance report and implementation plan by June 30, 1999, in violation of this statutory requirement.

Title IX of the Education Amendments of 1972 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender. The untimely filing of the compliance report and implementation plan required by state law does not necessarily mean that the college is not in compliance with the federal law.

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## RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1999, and June 30, 1998, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. An immaterial instance of noncompliance, along with the recommendation and management's response, is included in the finding and recommendation.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the college's financial statements.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT

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PHONE (615) 741-3697  
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**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

February 18, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Roane State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1999, and June 30, 1998, and have issued our report thereon dated February 18, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We did, however, note one immaterial instance of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted certain other less

The Honorable John G. Morgan  
February 18, 2000  
Page Two

significant instances of noncompliance, which we have reported to the college's management in a separate letter.

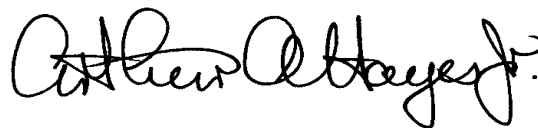
#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the college's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/sdr

## **FINDING AND RECOMMENDATION**

### **Refunds are not calculated for students who unofficially withdraw**

#### **Finding**

The college does not perform refund calculations for students who unofficially withdraw from school. At the end of each academic term, the Student Financial Aid Office obtains a report listing each financial aid student's grades and last date of attendance. From the report, the Student Financial Aid Office can compile a list of students who stopped attending classes. Refunds are not calculated because the Student Financial Aid Office does not provide a list of students who stopped attending classes to the Business Office so they can be evaluated.

The *Federal Student Financial Aid Handbook* indicates that the student financial assistance refund requirements apply when a student withdraws or drops out. Chapter 3, page 84, states:

A key component needed in order to determine if a refund of institutional charges is required is the date the student stopped attending classes and, therefore, was no longer receiving the instruction for which he or she was charged. This date is generally referred to as the withdrawal date. The withdrawal date is also critical in determining the amount of a student's refund . . . the withdrawal date is the earlier of the date that the student notifies an institution of the student's withdrawal, or . . . if the student drops out of the institution without notifying the institution (does not withdraw officially), the last recorded date of class attendance by the student, as documented by the institution.

The college only calculates refunds for students who officially withdraw from school. The failure to perform calculations for students who unofficially withdraw could result in an overaward to some recipients.

#### **Recommendation**

The Student Financial Aid Office should provide the Business Office with a list of unofficial withdrawals so refund calculations can be performed as applicable.

#### **Management's Comment**

We concur. Although adjustments were made for students who did not attend a class meeting by the college's enrollment reporting date, the college has not processed refunds for students who unofficially withdrew with a last date of attendance after that date. Beginning immediately, the Student Financial Aid Office will implement procedures to ensure that the last

date of attendance will be verified for any student receiving a grade of “F” for a course. A review will be conducted beginning with fall semester 1999. Based upon that review, a list of all financial aid recipients for whom a refund may be due will be given to the Business Office for calculation of refunds as applicable and subsequent return of those funds to the Department of Education.

Prior to the end of spring semester 2000, the Student Financial Aid Office will work with academic departments to increase awareness of the requirements regarding last date of attendance along with developing an automated process for reporting those dates.



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT**

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**Independent Auditor's Report**

February 18, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Roane State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1999, and June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Roane State Community College, as of June 30, 1999, and June 30, 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

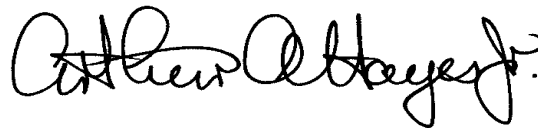
The Honorable John G. Morgan  
February 18, 2000  
Page Two

As discussed in Note 12 to the financial statements, the college implemented GASB 16, *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 11, the college changed the threshold for capitalizing equipment.

The Year 2000 Disclosures on page 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the college is or will become year 2000 compliant, that the college's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the college does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2000, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/sdr

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1999, AND JUNE 30, 1998

	June 30, 1999	June 30, 1998		June 30, 1999	June 30, 1998
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Note 2)	\$ 2,029,970.08	\$ 1,727,171.57	Liabilities:		
Accounts receivable (net of allowance			Accounts payable	\$ 229,417.11	\$ 206,305.43
of \$75,320.41 at June 30, 1999, and			Accrued liabilities	734,657.77	704,217.77
\$27,325.66 at June 30, 1998)	216,543.98	201,740.79	Deferred revenue	427,710.00	388,345.50
Inventories	20,397.57	23,407.40	Compensated absences	830,007.23	810,680.47
Due from restricted current funds	317,195.26	394,277.72	Other liabilities	264,286.46	247,376.60
Prepaid expenses and deferred charges	16,159.00	16,199.86			
Other assets	500.00	500.00	Total liabilities	2,486,078.57	2,356,925.77
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	98,089.78	116,737.77
			Allocation for encumbrances	113,830.50	140,544.77
			Allocation for designated state appropriations	4,543.88	1,434.26
			Discretionary allocations:		
			Allocation for subsequent budget	638,600.00	397,700.00
			Allocation for athletic revenues	-	2,139.11
			Allocation for compensated absences	(830,007.23)	(810,680.47)
			Unallocated	89,630.39	158,496.13
			Total fund balances	114,687.32	6,371.57
Total general	2,600,765.89	2,363,297.34	Total general	2,600,765.89	2,363,297.34
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Note 2)	454,501.52	328,576.56	Liabilities:		
Accounts receivable	39,153.50	36,240.83	Accounts payable	29,976.70	20,876.16
			Student deposits	70.00	70.00
			Total liabilities	30,046.70	20,946.16
			Fund balances:		
			Nondiscretionary allocation:		
			Allocation for working capital	39,153.50	36,240.83
			Discretionary allocation:		
			Allocation for auxiliary cash reserve	7,385.14	7,382.26
			Unallocated	417,069.68	300,248.14
			Total fund balances	463,608.32	343,871.23
Total auxiliary enterprises	493,655.02	364,817.39	Total auxiliary enterprises	493,655.02	364,817.39
Total unrestricted	3,094,420.91	2,728,114.73	Total unrestricted	3,094,420.91	2,728,114.73
Restricted:			Restricted:		
Accrued interest receivable	113.20	139.27	Liabilities:		
Accounts and grants receivable	905,599.68	941,551.90	Accounts payable	70,891.42	54,014.46
Prepaid expenses and deferred charges	3,613.20	3,058.15	Accrued liabilities	237,727.45	258,999.31
			Due to grantors	537.84	18,648.91
			Due to unrestricted current funds	317,195.26	394,277.72
			Total liabilities	626,351.97	725,940.40
			Fund balance	282,974.11	218,808.92
Total restricted	909,326.08	944,749.32	Total restricted	909,326.08	944,749.32
Total current funds	\$ 4,003,746.99	\$ 3,672,864.05	Total current funds	\$ 4,003,746.99	\$ 3,672,864.05
Loan funds:			Loan funds:		
Cash (Note 2)	\$ 37,386.59	\$ 17,673.27	Fund balances:		
Notes receivable (net of allowance of			U.S. government grants refundable	\$ 1,455.45	\$ 1,263.94
\$15,598.09 at June 30, 1999, and			Institutional:		
\$15,391.19 at June 30, 1998)	1,144.00	4,139.25	Restricted - matching	161.72	140.44
			Restricted - other	36,913.42	20,408.14
Total loan funds	\$ 38,530.59	\$ 21,812.52	Total loan funds	\$ 38,530.59	\$ 21,812.52
Endowment and similar funds:			Endowment and similar funds:		
Investments (Note 3)	\$ 18,122.55	\$ 18,122.55	Fund balance:		
			Quasi-endowment - restricted	\$ 18,122.55	\$ 18,122.55
Total endowment and similar funds	\$ 18,122.55	\$ 18,122.55	Total endowment and similar funds	\$ 18,122.55	\$ 18,122.55

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1999, AND JUNE 30, 1998

	<u>June 30, 1999</u>	<u>June 30, 1998</u>		<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Note 2)	\$ 1,051,513.47	\$ 923,774.75	Liabilities:		
LGIP deposit - capital projects	1,085,470.21	3,381,350.06	Accounts payable	\$ 153,317.16	\$ 1,942,203.87
Accounts receivable	<u>6,223.90</u>	<u>21,395.00</u>	Accrued interest payable	<u>-</u>	<u>160.65</u>
			Total liabilities	<u>153,317.16</u>	<u>1,942,364.52</u>
			Fund balances:		
			Restricted	1,271,265.20	1,497,328.14
			Unrestricted (Note 4)	<u>718,625.22</u>	<u>886,827.15</u>
			Total fund balances	<u>1,989,890.42</u>	<u>2,384,155.29</u>
Total unexpended plant	<u>2,143,207.58</u>	<u>4,326,519.81</u>	Total unexpended plant	<u>2,143,207.58</u>	<u>4,326,519.81</u>
Renewals and replacements:			Renewals and replacements:		
Cash (Note 2)	<u>1,138,770.19</u>	<u>1,331,257.51</u>	Liabilities:		
			Accounts payable	<u>38,467.32</u>	<u>-</u>
			Fund balance:		
			Unrestricted (Note 4)	<u>1,100,302.87</u>	<u>1,331,257.51</u>
Total renewals and replacements	<u>1,138,770.19</u>	<u>1,331,257.51</u>	Total renewals and replacements	<u>1,138,770.19</u>	<u>1,331,257.51</u>
Retirement of indebtedness:			Retirement of indebtedness:		
Cash (Note 2)	46,658.08	45,486.78	Liabilities:		
Interest rate reserve with Tennessee			Accrued interest payable	-	594.40
State School Bond Authority (Note 5)	1,449.50	1,650.20	Other liabilities	<u>1,141.81</u>	<u>-</u>
Accounts receivable	<u>315.27</u>	<u>-</u>	Total liabilities	<u>1,141.81</u>	<u>594.40</u>
			Fund balance:		
			Restricted	<u>47,281.04</u>	<u>46,542.58</u>
Total retirement of indebtedness	<u>48,422.85</u>	<u>47,136.98</u>	Total retirement of indebtedness	<u>48,422.85</u>	<u>47,136.98</u>
Investment in plant:			Investment in plant:		
Land	2,748,542.04	2,748,042.04	Liabilities:		
Buildings	25,845,365.71	22,605,976.12	Loan payable (Note 5)	145,000.00	-
Improvements other than buildings	1,141,494.88	851,553.73	Tennessee State School Bond Authority		
Equipment	9,780,984.92	8,995,533.32	indebtedness (Note 5)	325,000.00	370,000.00
Library books	2,757,024.00	2,692,320.00	Accrued interest payable	<u>3,476.03</u>	<u>-</u>
Other library holdings	886,586.00	832,584.00	Total liabilities	<u>473,476.03</u>	<u>370,000.00</u>
Construction in progress	<u>12,994,918.55</u>	<u>7,860,929.95</u>	Fund balance:		
			Net investment in plant	<u>55,681,440.07</u>	<u>46,216,939.16</u>
Total investment in plant	<u>56,154,916.10</u>	<u>46,586,939.16</u>	Total investment in plant	<u>56,154,916.10</u>	<u>46,586,939.16</u>
Total plant funds	<u>\$ 59,485,316.72</u>	<u>\$ 52,291,853.46</u>	Total plant funds	<u>\$ 59,485,316.72</u>	<u>\$ 52,291,853.46</u>
Agency funds:			Agency funds:		
Cash (Note 2)	<u>\$ 486,127.76</u>	<u>\$ 567,781.90</u>	Liabilities:		
			Accounts payable	\$ 2,260.30	\$ 245.00
			Deposits held in custody for others	<u>483,867.46</u>	<u>567,536.90</u>
Total agency funds	<u>\$ 486,127.76</u>	<u>\$ 567,781.90</u>	Total agency funds	<u>\$ 486,127.76</u>	<u>\$ 567,781.90</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>								
Unrestricted current fund revenues	\$ 21,046,330.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	147,702.78	-	-	-	-	-	-	-
Tuition and fees	-	54,564.00	-	-	-	-	-	-
State appropriations	-	92,625.00	-	-	8,232,772.36	-	-	-
Federal grants and contracts	-	9,679,556.97	-	-	-	-	-	-
State grants and contracts	-	197,629.07	-	-	-	-	-	-
Private gifts, grants, and contracts	-	152,163.81	16,505.28	-	1,240,722.13	-	60,000.00	-
Endowment income	-	921.04	-	-	-	-	-	-
Investment income	-	-	62.88	-	69,998.99	-	-	-
Interest on loans receivable	-	-	356.81	-	-	-	-	-
Loan proceeds	-	-	-	-	145,000.00	-	-	-
Equipment use charges	-	-	-	-	-	118,038.28	-	-
Expended for plant facilities (including \$578,341.88 charged to current fund expenditures)	-	-	-	-	-	-	-	10,027,070.18
Retirement of indebtedness	-	-	-	-	-	-	-	45,000.00
Library holdings revaluation	-	-	-	-	-	-	-	28,752.14
Total revenues and other additions	<u>21,194,032.83</u>	<u>10,177,459.89</u>	<u>16,924.97</u>	<u>-</u>	<u>9,688,493.48</u>	<u>118,038.28</u>	<u>60,000.00</u>	<u>10,100,822.32</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>								
Educational and general expenditures	21,182,614.30	9,801,407.82	-	-	-	-	-	-
Auxiliary enterprise expenditures	20,609.59	-	-	-	-	-	-	-
Indirect costs recovered	-	303,006.99	-	-	-	-	-	-
Refunded to grantors	-	8,879.89	-	-	-	-	-	-
Provision for doubtful accounts	-	-	206.90	-	-	-	-	-
Administrative and collection costs	-	-	-	-	-	-	2,879.94	-
Expended for plant facilities	-	-	-	-	9,331,082.93	117,645.37	-	-
Expended for noncapital items	-	-	-	-	596,175.42	149,603.65	-	-
Retirement of indebtedness	-	-	-	-	-	-	45,000.00	-
Interest on indebtedness	-	-	-	-	-	-	11,381.60	-
Disposal of plant facilities	-	-	-	-	-	-	-	13,445.00
Equipment inventory adjustments	-	-	-	-	-	-	-	474,400.38
Increase in indebtedness	-	-	-	-	-	-	-	145,000.00
Other	-	-	-	-	-	-	-	3,476.03
Total expenditures and other deductions	<u>21,203,223.89</u>	<u>10,113,294.70</u>	<u>206.90</u>	<u>-</u>	<u>9,927,258.35</u>	<u>267,249.02</u>	<u>59,261.54</u>	<u>636,321.41</u>

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds				Plant Funds			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loan Funds</u>	<u>DEVELOPMENT AND Similar Funds</u>	<u>Unexpended</u>	<u>REPAIRS AND Replacements</u>	<u>ACQUISITION OF Indebtedness</u>	<u>INVESTMENT In Plant</u>
<u>TRANSFERS AMONG FUNDS - ADDITIONS</u>								
<u>(DEDUCTIONS)</u>								
Nonmandatory:								
Unrestricted current funds	237,243.90	-	-	-	(195,500.00)	(41,743.90)	-	-
Unexpended plant	-	-	-	-	40,000.00	(40,000.00)	-	-
Total transfers	<u>237,243.90</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,500.00)</u>	<u>(81,743.90)</u>	<u>-</u>	<u>-</u>
Net increases (decreases) for the year	228,052.84	64,165.19	16,718.07	-	(394,264.87)	(230,954.64)	738.46	9,464,500.91
Fund balances at beginning of year	<u>350,242.80</u>	<u>218,808.92</u>	<u>21,812.52</u>	<u>18,122.55</u>	<u>2,384,155.29</u>	<u>1,331,257.51</u>	<u>46,542.58</u>	<u>46,216,939.16</u>
Fund balances at end of year	<u>\$ 578,295.64</u>	<u>\$ 282,974.11</u>	<u>\$ 38,530.59</u>	<u>\$ 18,122.55</u>	<u>\$ 1,989,890.42</u>	<u>\$ 1,100,302.87</u>	<u>\$ 47,281.04</u>	<u>\$ 55,681,440.07</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds				Endowment and	Plant Funds			
	Unrestricted	Restricted	Loan Funds	Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant	
REVENUES AND OTHER ADDITIONS									
Unrestricted current fund revenues	\$ 19,954,061.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Auxiliary enterprise revenues	147,645.29	-	-	-	-	-	-	-	
Tuition and fees	-	56,650.50	-	-	-	-	-	-	
State appropriations	-	89,800.00	-	-	5,363,393.69	-	-	-	
Federal grants and contracts	-	9,184,710.02	-	-	-	-	-	-	
State grants and contracts	-	135,335.76	-	-	10,833.00	-	-	-	
Private gifts, grants, and contracts	-	120,632.31	10,550.00	-	3,714,895.00	-	60,000.00	-	
Endowment income	-	1,000.96	-	-	-	-	-	-	
Investment income	-	-	59.09	-	134,020.79	-	-	-	
Interest on loans receivable	-	-	364.20	-	-	-	-	-	
Reduction in doubtful accounts	-	-	7.80	-	-	-	-	-	
Equipment use charges	-	-	-	-	-	114,979.62	-	-	
Expended for plant facilities (including \$277,810.31 charged to current fund expenditures)	-	-	-	-	-	-	-	8,319,344.90	
Retirement of indebtedness	-	-	-	-	-	-	-	40,000.00	
Library holdings revaluation	-	-	-	-	-	-	-	7,485.47	
Total revenues and other additions	20,101,706.39	9,588,129.55	10,981.09	-	9,223,142.48	114,979.62	60,000.00	8,366,830.37	
EXPENDITURES AND OTHER DEDUCTIONS									
Educational and general expenditures	19,448,385.70	9,391,578.59	-	-	-	-	-	-	
Auxiliary enterprise expenditures	19,169.29	-	-	-	-	-	-	-	
Indirect costs recovered	-	278,196.65	-	-	-	-	-	-	
Refunded to grantors	-	14,767.27	-	-	-	-	-	-	
Administrative and collection costs	-	-	-	-	-	-	1,716.00	-	
Expended for plant facilities	-	-	-	-	7,990,733.30	50,801.29	-	-	
Expended for noncapital items	-	-	-	-	480,609.60	22,010.30	-	-	
Retirement of indebtedness	-	-	-	-	-	-	40,000.00	-	
Interest on indebtedness	-	-	-	-	-	-	10,647.67	-	
Disposal of plant facilities	-	-	-	-	-	-	-	1,139,637.36	
Equipment inventory adjustments	-	-	-	-	-	-	-	34,606.00	
Total expenditures and other deductions	19,467,554.99	9,684,542.51	-	-	8,471,342.90	72,811.59	52,363.67	1,174,243.36	

TENNESSEE BOARD OF REGENTS  
ROANE STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<u>TRANSFERS AMONG FUNDS - ADDITIONS</u> <u>(DEDUCTIONS)</u>								
Nonmandatory:								
Unexpended plant	(290,600.00)	-	-	-	290,600.00	-	-	-
Renewals and replacements	(385,932.35)	-	-	-	-	385,932.35	-	-
Total transfers	(676,532.35)	-	-	-	290,600.00	385,932.35	-	-
Net increases (decreases) for the year	(42,380.95)	(96,412.96)	10,981.09	-	1,042,399.58	428,100.38	7,636.33	7,192,587.01
Fund balances at beginning of year (Note 12)	392,623.75	315,221.88	10,831.43	18,122.55	1,341,755.71	903,157.13	38,906.25	40,180,294.22
Cumulative effect of change in accounting principle (Note 11)	-	-	-	-	-	-	-	(1,155,942.07)
Fund balances at beginning of year, as restated	392,623.75	315,221.88	10,831.43	18,122.55	1,341,755.71	903,157.13	38,906.25	39,024,352.15
Fund balances at end of year	<u>\$ 350,242.80</u>	<u>\$ 218,808.92</u>	<u>\$ 21,812.52</u>	<u>\$ 18,122.55</u>	<u>\$ 2,384,155.29</u>	<u>\$ 1,331,257.51</u>	<u>\$ 46,542.58</u>	<u>\$ 46,216,939.16</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
 ROANE STATE COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Tuition and fees	\$ 5,854,487.13	\$ 45,434.86	\$ 5,899,921.99
State appropriations	14,254,200.00	76,188.02	14,330,388.02
Federal grants and contracts	303,666.99	9,332,834.06	9,636,501.05
State grants and contracts	-	199,827.69	199,827.69
Local grants and contracts	31,500.00	-	31,500.00
Private gifts, grants, and contracts	54,287.00	146,123.19	200,410.19
Investment income	239,983.52	-	239,983.52
Endowment income	-	1,000.00	1,000.00
Sales and services of educational activities	7,319.59	-	7,319.59
Sales and services of auxiliary enterprises	147,702.78	-	147,702.78
Other sources	300,885.82	-	300,885.82
Total current revenues	<u>21,194,032.83</u>	<u>9,801,407.82</u>	<u>30,995,440.65</u>
<b><u>EXPENDITURES AND TRANSFERS</u></b>			
Educational and general:			
Expenditures:			
Instruction	12,766,128.37	242,895.55	13,009,023.92
Public service	304,978.96	5,348,028.69	5,653,007.65
Academic support	1,051,939.42	141,914.62	1,193,854.04
Student services	2,208,065.52	70,773.84	2,278,839.36
Institutional support	2,500,858.05	10,153.01	2,511,011.06
Operation and maintenance of plant	2,227,515.94	-	2,227,515.94
Scholarships and fellowships	123,128.04	3,987,642.11	4,110,770.15
Total educational and general expenditures	<u>21,182,614.30</u>	<u>9,801,407.82</u>	<u>30,984,022.12</u>
Nonmandatory transfers for:			
Unexpended plant	(195,500.00)	-	(195,500.00)
Renewals and replacements	(49,100.00)	-	(49,100.00)
Total educational and general	<u>20,938,014.30</u>	<u>9,801,407.82</u>	<u>30,739,422.12</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:	20,609.59	-	20,609.59
Renewals and replacements	7,356.10	-	7,356.10
Total auxiliary enterprises	<u>27,965.69</u>	<u>-</u>	<u>27,965.69</u>
Total expenditures and transfers	<u>20,965,979.99</u>	<u>9,801,407.82</u>	<u>30,767,387.81</u>
<b><u>OTHER ADDITION (DEDUCTIONS)</u></b>			
Excess of restricted receipts over transfers to revenues	-	376,052.07	376,052.07
Indirect costs recovered	-	(303,006.99)	(303,006.99)
Refunded to grantors	-	(8,879.89)	(8,879.89)
Net increases in fund balances	<u>\$ 228,052.84</u>	<u>\$ 64,165.19</u>	<u>\$ 292,218.03</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
 ROANE STATE COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Tuition and fees	\$ 5,516,946.51	\$ 57,627.83	\$ 5,574,574.34
State appropriations	13,440,600.00	114,518.08	13,555,118.08
Federal grants and contracts	279,065.65	8,964,284.40	9,243,350.05
State grants and contracts	-	135,248.49	135,248.49
Local grants and contracts	35,000.00	-	35,000.00
Private gifts, grants, and contracts	78,871.10	117,899.79	196,770.89
Investment income	262,575.52	-	262,575.52
Endowment income	-	2,000.00	2,000.00
Sales and services of educational activities	108,718.57	-	108,718.57
Sales and services of auxiliary enterprises	147,645.29	-	147,645.29
Other sources	232,283.75	-	232,283.75
Total current revenues	<u>20,101,706.39</u>	<u>9,391,578.59</u>	<u>29,493,284.98</u>
<b><u>EXPENDITURES AND TRANSFERS</u></b>			
Educational and general:			
Expenditures:			
Instruction	11,042,708.27	249,631.24	11,292,339.51
Public service	319,695.91	5,236,113.51	5,555,809.42
Academic support	1,573,963.14	124,536.13	1,698,499.27
Student services	2,055,271.55	78,936.97	2,134,208.52
Institutional support	2,252,497.01	-	2,252,497.01
Operation and maintenance of plant	2,035,953.66	-	2,035,953.66
Scholarships and fellowships	168,296.16	3,702,360.74	3,870,656.90
Total educational and general expenditures	<u>19,448,385.70</u>	<u>9,391,578.59</u>	<u>28,839,964.29</u>
Nonmandatory transfers for:			
Unexpended plant	290,600.00	-	290,600.00
Renewals and replacements	328,600.00	-	328,600.00
Total educational and general	<u>20,067,585.70</u>	<u>9,391,578.59</u>	<u>29,459,164.29</u>
Auxiliary enterprises:			
Expenditures	19,169.29	-	19,169.29
Nonmandatory transfer for:			
Renewals and replacements	57,332.35	-	57,332.35
Total auxiliary enterprises	<u>76,501.64</u>	<u>-</u>	<u>76,501.64</u>
Total expenditures and transfers	<u>20,144,087.34</u>	<u>9,391,578.59</u>	<u>29,535,665.93</u>
<b><u>OTHER ADDITION (DEDUCTIONS)</u></b>			
Excess of restricted receipts over			
transfers to revenues	-	196,550.96	196,550.96
Indirect costs recovered	-	(278,196.65)	(278,196.65)
Refunded to grantors	-	(14,767.27)	(14,767.27)
Net decreases in fund balances	<u>\$ (42,380.95)</u>	<u>\$ (96,412.96)</u>	<u>\$ (138,793.91)</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements  
June 30, 1999, and June 30, 1998**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The college is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

**Basis of Presentation**

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

**Current Funds**

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstores, food services, and vending. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

**Loan Funds**

Loan funds consist of resources made available for student loans.

**Endowment and Similar Funds**

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Although quasi-endowment funds have been established by the governing board for the same

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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purposes as endowment funds, any portion of quasi-endowment funds may be expended.

**Plant Funds**

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties; and (4) funds expended for, and thus invested in, institutional properties.

**Agency Funds**

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

**LGIP Deposit – Capital Projects**

Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenditures are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and any remaining funds are released by the Tennessee Board of Regents.

**Inventories**

Inventories are valued at the lower of cost or market. All items are maintained on a first-in, first-out basis.

**Compensated Absences**

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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**Allocation for Working Capital**

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

**Plant Assets**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. The college has adopted a policy of capitalizing all interest costs funded by Tennessee State School Bond Authority indebtedness. All other interest costs are expensed. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 4 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U.S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

**NOTE 2. DEPOSITS**

The bank balances of certain deposits including accrued interest as of the balance sheet dates were entirely insured. The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

The college's remaining deposits were in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

The college also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 3. INVESTMENTS**

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

The college's investments at June 30, 1999, and June 30, 1998, consisted of certificates of deposit with original maturities greater than three months. These have been included with other deposits in Note 2 to determine the adequacy of collateral security pledged.

**NOTE 4. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 1999, amounted to \$262,155.77 for unexpended plant and \$188,278.90 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1998, amounted to \$12,311.38 for unexpended plant and \$112,013.28 for renewals and replacements.

**Tennessee Board of Regents  
Roane State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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**NOTE 5. LOAN PAYABLE AND TSSBA INDEBTEDNESS**

The Tennessee Board of Regents, on behalf of the college, borrowed funds from the state's Energy Management Loan Fund to replace a chiller. The loan has an interest rate of 5%, a face amount of \$145,000, a minimum annual debt service of \$33,491, and a due date of January 7, 2004. The balance owed by the college was \$145,000 at June 30, 1999.

The debt service requirements to maturity at June 30, 1999, for the loan payable are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 26,241.00	\$ 7,250.00	\$ 33,491.00
2001	27,553.05	5,937.95	33,491.00
2002	28,930.70	4,560.30	33,491.00
2003	30,377.24	3,113.76	33,491.00
2004	<u>31,898.01</u>	<u>1,592.99</u>	<u>33,491.00</u>
	<u>\$145,000.00</u>	<u>\$22,455.00</u>	<u>\$167,455.00</u>

The Tennessee State School Bond Authority authorized the issuance of commercial paper to finance the costs of various capital projects. The amount issued for projects at the college was \$325,000 at June 30, 1999, and \$370,000 at June 30, 1998.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The college contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the college when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

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**NOTE 6. PENSION PLANS**

**A. Defined Benefit Plan**

**Tennessee Consolidated Retirement System**

Plan Description - The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1999, 1998, and 1997, were \$470,446.49, \$290,404.31, and \$617,283.23. Contributions met the requirements for each year.

**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings.

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Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1999, was \$457,285.86, and for the year ended June 30, 1998, was \$427,695.48. Contributions met the requirements for each year.

**NOTE 7. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 8. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to damage from tornadoes. Final settlement has not been made but is expected to be approximately \$6 million. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$8.219 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1999, the scheduled coverage for the college was \$47,443,900 for buildings and \$19,433,200 for contents. At June 30, 1998, the scheduled coverage was \$46,967,800 for buildings and \$19,482,300 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state

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is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$4,894,019.03 at June 30, 1999, and \$4,705,830.03 at June 30, 1998.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$623,790.20 and for personal property were \$67,974.99 for the year ended June 30, 1999. The amounts for the year ended June 30, 1998, were \$611,381.84 and \$51,781.95. The following is a schedule by years of future minimum rental payments required under

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noncancelable operating leases that have initial or remaining lease terms of more than one year at June 30, 1999:

Year Ending <u>June 30</u>	
2000	\$39,925.00
2001	39,925.00
2002	<u>3,327.08</u>
Total minimum payments required	<u>\$83,177.08</u>

Construction in Progress - At June 30, 1999, outstanding commitments under construction contracts totaled \$3,942,671.28 for the Humanities Building/related renovations, Oak Ridge Branch Campus, Clock Bell Tower, and East Tennessee Agricultural Exposition Center Projects, of which \$3,044,154.38 will be funded by future state capital outlay appropriations.

Litigation - The college is involved in two lawsuits, neither of which is expected to have a material effect on the accompanying financial statements.

**NOTE 10. AFFILIATED ENTITY NOT INCLUDED**

The college is the sole beneficiary of the Roane State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are not handled by the college, and these amounts are not included in the college's financial statements. As reported in the foundation's most recently audited financial report, at June 30, 1997, the foundation's assets totaled \$7,901,462.75, liabilities were \$242,708.92, and the net assets amounted to \$7,658,753.83.

**NOTE 11. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by \$1,155,942.07. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

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**NOTE 12. PRIOR-YEAR RESTATEMENT**

The college implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted current funds on Exhibit C was decreased by \$778,545.36.

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The Year 2000 Issue (Y2K) arises because most computer software programs allocate two digits to the data field for year on the assumption that the first two digits will be 19. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact the ability to enter data into computer programs and the ability of such programs to correctly process data.

The college has established a Y2K Coordinator to facilitate Y2K remediation efforts. The college has assessed the impact of Y2K on its computer systems and other electronic equipment as of June 30, 1999. Computer systems are defined as both (1) programmed application systems that provide fiscal and administrative services and (2) supporting hardware and software computer systems infrastructure upon which the application systems reside and are processed. Other electronic equipment includes systems and devices other than traditional computer information systems that may utilize embedded chips in their operations.

The college has determined that certain computer systems are critical and certain are supportive. Critical computer systems are those for which there are manual alternatives, but the college would unlikely be able to fully or efficiently perform the functions manually because of the volume of manual activity that would be required. Supportive computer systems are those for which there are manual alternatives and the college expects to be able to perform such functions manually, if necessary.

The college has identified three critical computer application systems: the Financial Records System (FRS), the Human Resource System (HRS), and the Student Information System (SIS). All three have completed the validation/testing stage. This stage is defined as validating and testing the changes that were made during the remediation stage.

The college's mid-level computer system provides the supporting computer systems infrastructure upon which the application systems reside and are processed. The mid-level system represents multiple hardware and software components to include a central processor, workstations, and a network operating system. The college determined that these components are currently in the validation/testing stage.

The college identified other electronic equipment items as critical to conducting operations. The college determined that these systems are currently in the validation/testing stage.

The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

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The college's Y2K initiatives did not result in the commitment of significant financial resources as of the end of the college's reporting period. The college is not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the college.